Defense Contract Management Command

DCMC Group Leader's Conference Workshop

Year 2000 Supplier Capability Assessment

David Robertson
Paperless Contracting Center
(703) 767-3351

Overview

- **What's the Objective?**

- **What's the Process?**
  - **Identification and Prioritization**
  - **Assessment Process Flow**
  - **Assigning Suppliers for Assessment**
  - **Assessment "Toolkit"**
  - **Assessment Status/Timeline**

- **What Can You Do to Prepare?**

- **Discussion**

The Objective

What is the logistics impact of Y2K on DoD's critical suppliers?

Especially where DoD has limited insight...

- ✔ **PRIVATELY OWNED COMPANIES**
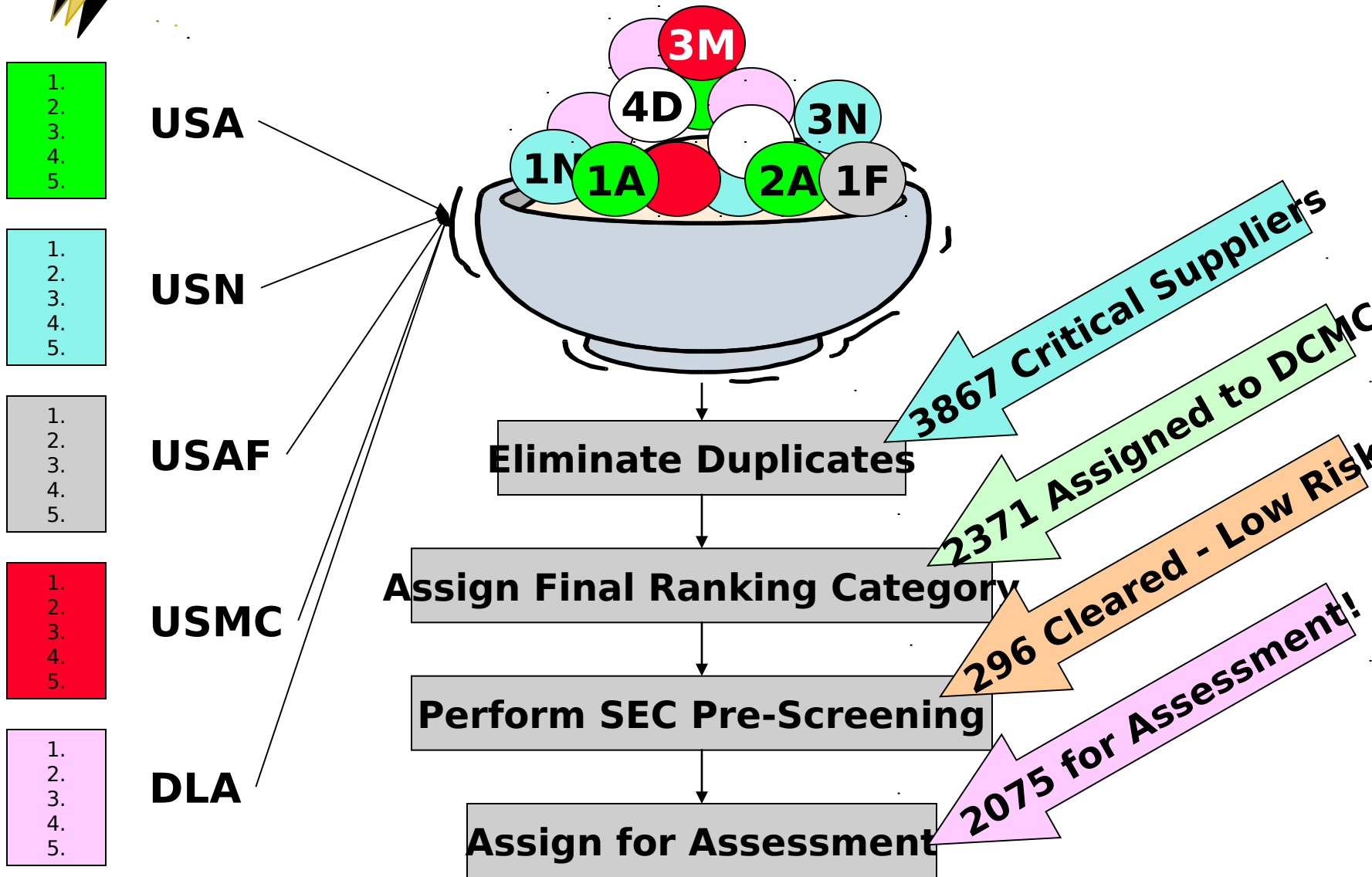- ✔ **SMALL TO MID-SIZED**
- ✔ **SOME DEGREE OF AUTOMATION**
- ✔ **DIRECT VENDOR DELIVERY AND JUST-IN-TIME LOGISTICS**

It's a Logistics Problem NOT an IT Problem

Why? ...to mitigate risk!

Prioritized Suppliers

DEFENSE LOGISICS AGENCY

USA

USN

USAF

USMC

DLA

3M
4D
3N
1N
1A
2A
1F

Eliminate Duplicates

Assign Final Ranking Category

Perform SEC Pre-Screening

Assign for Assessment

3867 Critical Suppliers

2371 Assigned to DCMC

296 Cleared - Low Risk

2075 for Assessment!

Assessment Categories

Assessment CATEGORY	SUPPLIER ASSESSMENT TOOLS	WORKLOAD ESTIMATE	SUPPLIER COUNT	OPR
Very High	• Examination/Testing • Discuss Financial Impact	*A Time Machine!* Days/Weeks/TDY	TBD	IMM
High	• Site Visits/Detailed Discussion w/Management and Key Personnel • Review of Test Results/Supporting Documents • Evaluation of Contingency Plans • Discuss Financial Impact • Review SEC Disclosure (if available/adequate)	*"Show me what you've done and what you plan to do…"* 3-6 hours +TDY	1072	DCMC CAO
Moderate	• High Level Discussion w/Management and Key Personnel (On-Site or Telephone) • Review SEC Disclosure (if available/adequate)	*"Give me some details…"* 1-3 hours +TDY	1299	DCMC CAO
Low	• Discussions w/Management (Telephone) • Review SEC Disclosure (if available/adequate)	*"Tell me what you've done…"* 1 hour	425	IMM
Very Low	• Minimal Inquiry • Review Available Information • Review SEC Disclosure (if available/adequate)	*"Tell me about your Y2K status"* .5 hour	1071	IMM

Supplemental Y2K Funding Budgeted for CAO Travel Costs

Assigning Suppliers for Assessment

- **DCMC will assess suppliers in the "High" and "Moderate" assessment category *only* if...**

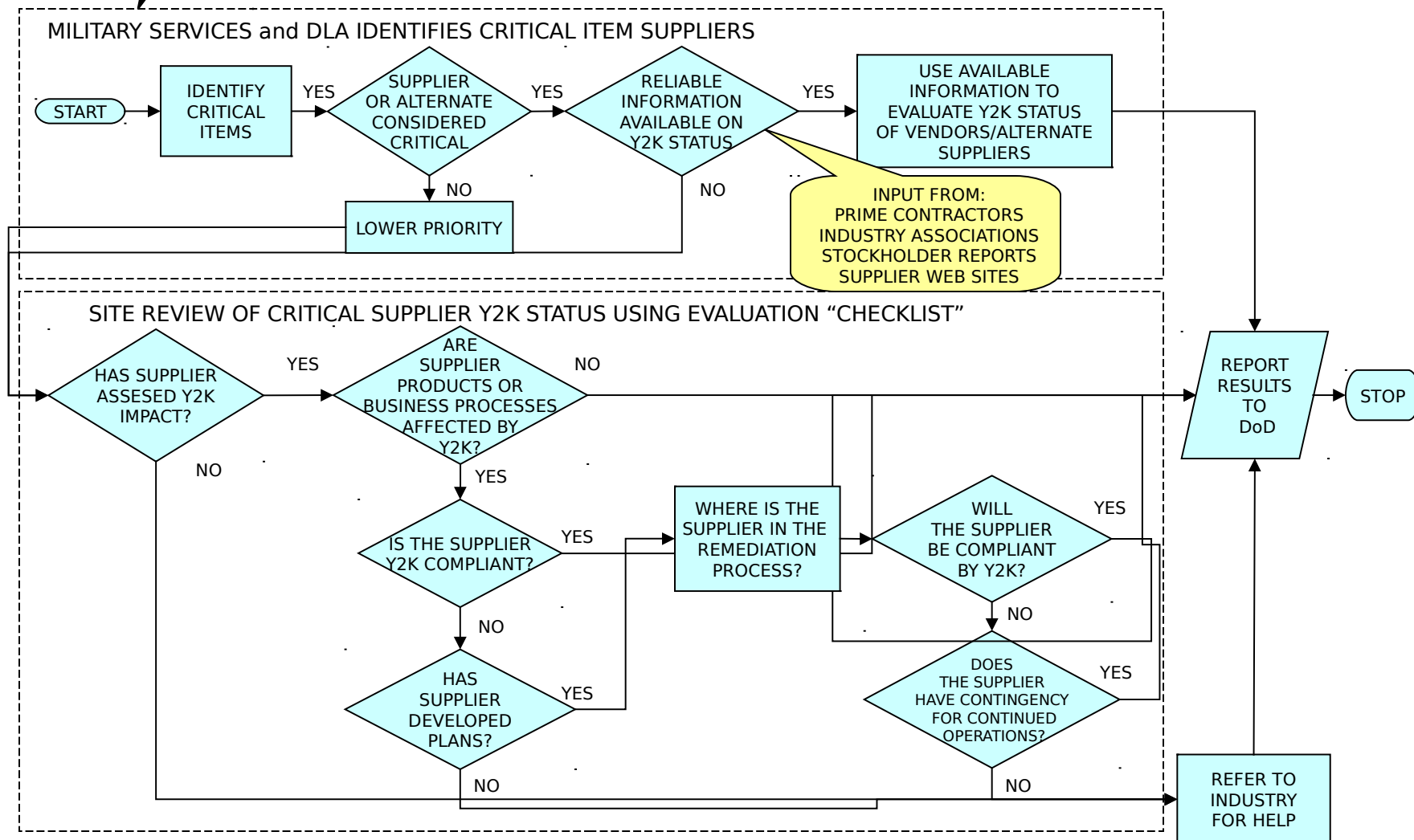 - **Supplier is assigned to DCMC for Contract Administration**

  AND

  - **Reliable information on Y2K status is not available...**

**Prime Contractors
Stockholder Reports (SEC 10-Qs)
Supplier Letters/Web-sites**

Assessment Process Flow

MILITARY SERVICES and DLA IDENTIFIES CRITICAL ITEM SUPPLIERS

START → IDENTIFY CRITICAL ITEMS

IDENTIFY CRITICAL ITEMS —YES→ SUPPLIER OR ALTERNATE CONSIDERED CRITICAL

SUPPLIER OR ALTERNATE CONSIDERED CRITICAL —YES→ RELIABLE INFORMATION AVAILABLE ON Y2K STATUS

SUPPLIER OR ALTERNATE CONSIDERED CRITICAL —NO→ LOWER PRIORITY

RELIABLE INFORMATION AVAILABLE ON Y2K STATUS —YES→ USE AVAILABLE INFORMATION TO EVALUATE Y2K STATUS OF VENDORS/ALTERNATE SUPPLIERS

RELIABLE INFORMATION AVAILABLE ON Y2K STATUS —NO→

INPUT FROM:
PRIME CONTRACTORS
INDUSTRY ASSOCIATIONS
STOCKHOLDER REPORTS
SUPPLIER WEB SITES

SITE REVIEW OF CRITICAL SUPPLIER Y2K STATUS USING EVALUATION "CHECKLIST"

HAS SUPPLIER ASSESED Y2K IMPACT? —YES→ ARE SUPPLIER PRODUCTS OR BUSINESS PROCESSES AFFECTED BY Y2K?

HAS SUPPLIER ASSESED Y2K IMPACT? —NO→

ARE SUPPLIER PRODUCTS OR BUSINESS PROCESSES AFFECTED BY Y2K? —NO→ REPORT RESULTS TO DoD

ARE SUPPLIER PRODUCTS OR BUSINESS PROCESSES AFFECTED BY Y2K? —YES→ IS THE SUPPLIER Y2K COMPLIANT?

IS THE SUPPLIER Y2K COMPLIANT? —YES→ WHERE IS THE SUPPLIER IN THE REMEDIATION PROCESS?

IS THE SUPPLIER Y2K COMPLIANT? —NO→ HAS SUPPLIER DEVELOPED PLANS?

HAS SUPPLIER DEVELOPED PLANS? —YES→

HAS SUPPLIER DEVELOPED PLANS? —NO→

WHERE IS THE SUPPLIER IN THE REMEDIATION PROCESS? → WILL THE SUPPLIER BE COMPLIANT BY Y2K?

WILL THE SUPPLIER BE COMPLIANT BY Y2K? —YES→

WILL THE SUPPLIER BE COMPLIANT BY Y2K? —NO→ DOES THE SUPPLIER HAVE CONTINGENCY FOR CONTINUED OPERATIONS?

DOES THE SUPPLIER HAVE CONTINGENCY FOR CONTINUED OPERATIONS? —YES→

DOES THE SUPPLIER HAVE CONTINGENCY FOR CONTINUED OPERATIONS? —NO→ REFER TO INDUSTRY FOR HELP

REPORT RESULTS TO DoD → STOP

REFER TO INDUSTRY FOR HELP

Assessment Status

- Tasking Memo 99-106, February 8, 1999
  - CAO assignment database and reporting instructions
  - Supplier assessment "toolkit"
- Provides standardized approach:
  - Interview/Assessment Checklist
  - Drill down questions probe for details
  - Focus on management/manufacturing/contingency efforts
- Developed with Service/DLSC/DCAA/DoDIG input
- Let's take a look...

www.dcmc.hq.dla.mil
Paperless Contracting Center

Assessment Toolkit

- Letter to Industry
- Introduction and Overview
- Y2K Supplier Capability Checklist
- Tutorial and Case Studies
- Information Resources/POCs

Toolkit Hyper-linked to Resources and Reference Materials

Assessment Questions

**Use Available Info
Prime Contractor Reviews
SEC 10-Q Reports
Supplier Self-Assessment**

- **Has the supplier assessed the impact of Y2K?**
- **Are manufacturing or management processes affected?**
- **Is the supplier already Y2K ready?**
- **If not, has the supplier developed adequate plans to become ready?**
- **When does the supplier expect to be Y2K ready?**
- **Will Y2K remediation have a material impact on financial stability?**
- **Has the supplier developed contingency plans?**
- **Is a follow-up assessment recommended?**
- **Rate the supplier's risk of Y2K related failure on a scale of 1 to 3:**
  - *1 -- High: the supplier is "at risk."*
  - *2 -- Moderate: some aspects may be "at risk."*
  - *3 -- Low: Y2K being addressed and not expected to be a problem.*
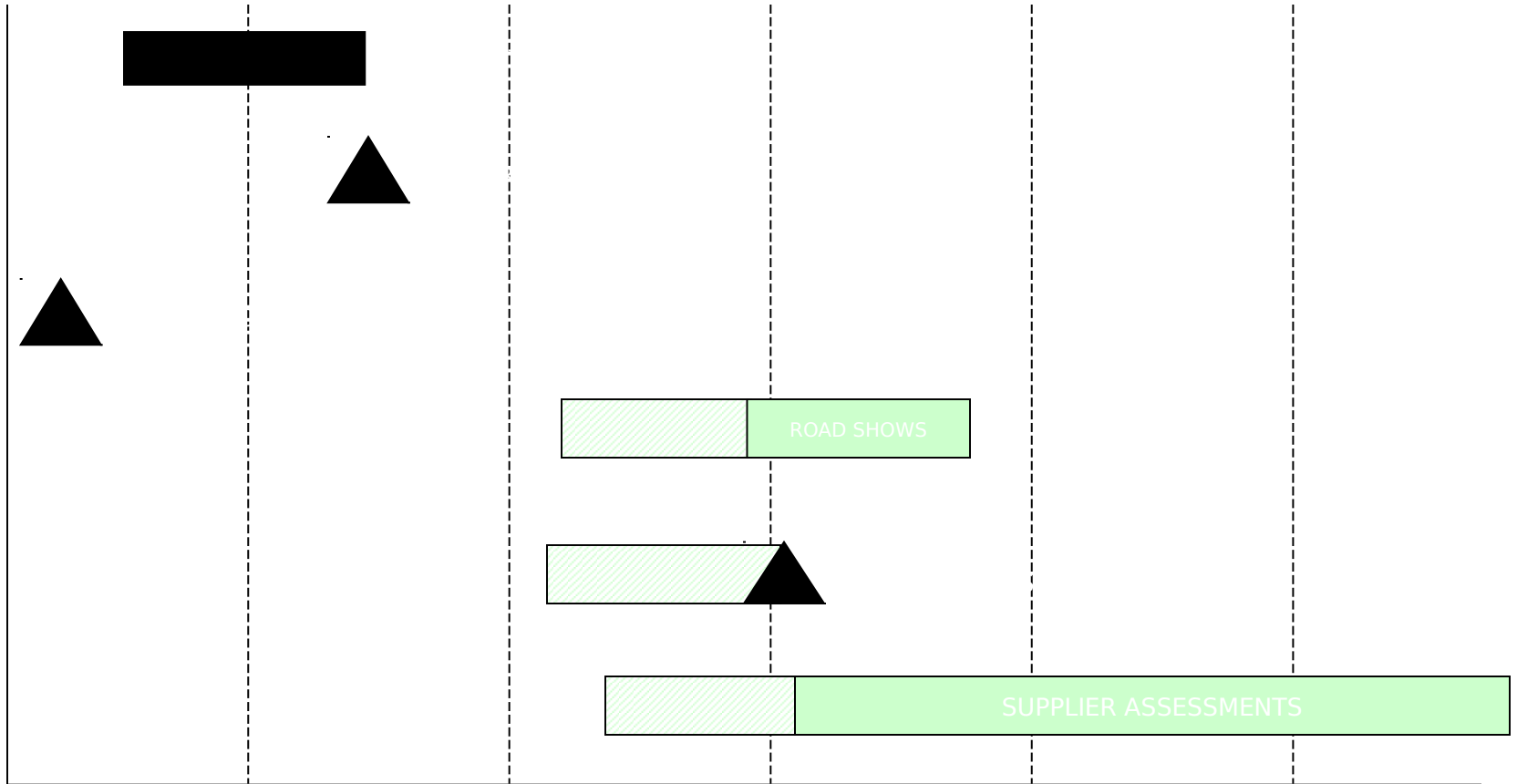
Reporting Results

- ■ CAO assignment database
  - Microsoft Access 97
  - Lists contractors by CAO and assessment category
  - Provides record of assessment results
- ■ Reporting instructions
  - Rename database for your CAO (e.g., LB.mdb)
  - Enter results as assessments are completed
  - E-mail updated database to HQ DCMC *biweekly*

Assessment Timeline

ROAD SHOWS

SUPPLIER ASSESSMENTS

What Does This Mean?

Need to Know the Logistics Impact?

- ■ This is a DoD-wide effort
  - • Talk to your customers -- get their input!
  - • Discuss with Management Councils and other customer forums
- ■ MILSVCs/DLSC developing mitigation plans
  - • Assessment results provide key information
  - • We'll keep you informed as it develops
- ■ If you have questions call…

David Robertson, (703) 767-3351

david_robertson@hq.dla.mil

Discussion